

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-05
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R 141338Z OCT 77
FM AMCONSUL TORONTO
TO SECSTATE WASHDC 6411
INFO AMEMBASSY OTTAWA

UNCLAS TORONTO 2594

E.O. 11652 N/A
TAGS: EFIN, EINV, SOPN, CA
SUBJECT: TORONTO STAR REITERATES ITS VIEW OF DANGERS IN FOREIGN
BANKS' OPERATIONS

1. IN ITS LEAD EDITORIAL OCTOBER 11 "WE DON'T NEED FOREIGN
BANKS HER", THE TORONTO STAR REITERATED ITS STANDARD POSITION
THAT THE PROPOSED REGULATIONS ON BANKING IN THE GOVERNMENT WHITE
PAPER ON THE BANK ACT DOES NOT PROVIDE ENOUGH PROTECTION FOR
CANADIAN CONTROL OF FINANCIAL INSTITUTIONS. THE TORONTO STAR IN
PARTICULAR IS CONCERNED WITH THE INTENTIONS OF FIRST
NATIONAL CITY BANK OF NEW YORK TO OPEN A SECOND BANK IN CANADA.
FIRST NATIONAL CITY AND ITS CONTROL THE MERCANTILE RANK OF CANADA
WAS A CAUSE CELEBRE SOME YEARS BACK AND LEAD TO RESTRICTIONS ON
FOREIGN CONTROL OF CANADIAN BANKING INSTITUTIONS.

2. THE STAR, REFLECTING CLEARLY THE PHILOSOPHY OF ITS
DIRECTOR WALTER GORDON, HELD THAT THE CANADIAN BANKING SYSTEM
MUST BE RESPONSIVE TO THE POLICIES OF THE FEDERAL GOVERNMENT AND
THE BANK OF CANADA AND, WITHOUT SUCH RESPONSIVENESS, IT BECOMES
DOUBLY DIFFICULT TO DEAL EFFECTIVELY WITH
UNEMPLOYMENT, INFLATION AND OTHER ECONOMIC PROBLEMS. THE
STAR QUESTIONS WHETHER SUCH RESPONSIVENESS CAN BE
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EFFECTIVELY MAINTAINED WITHOUT DOMESTIC CONTROL OF
FINANCIAL INSTITUTIONS. "THIS CANNOT BE DONE IF FOREIGN BANKS
ARE GIVEN FREE REIGN TO OPERATE HER."

3. THE STAR HELD THAT THE COMPETITION ELEMENT SUGGESTED
IN THE GOVERNMENT'S WHITE PAPER DOES NOT MEAN THAT SUCH
COMPETITION HAS TO COME FROM ABROAD. THE STAR BELIEVES

THAT THERE IS ENOUGH NEW WEALTH BEING GENERATED IN
ALBERTA AND BRITISH COLUMBIA, FOR EXAMPLE, TO PROVIDE FOR NEW
CANADIAN BANKS AND THERE MAY BE "MOVES TO STRENGTHEN
BANKS IN QUEBEC AS WELL." THE STAR CONTINUED
"PARADOXICALLY, RICHARD THOMSON, PRESIDENT OF THE TORONTO
DOMINION BANK, BELIEVES OTTAWA'S PLANS TO LET IN FOREIGN
BANKS WOULD IN FACT SLAM THE DOOR ON NEW CANADIAN BANKS"
BECAUSE OF THE COMPETITION FOR DEPOSIT FUNDS.
DIGGINS

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Message Attributes

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